

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: VERIZON RHODE ISLAND PRICE :
REGULATION SUCCESSOR PLAN FOR 2002 : DOCKET NO. 3179

REPORT AND ORDER

On October 15, 2001, Verizon Rhode Island (“Verizon”) made its second annual Price Regulation Successor Plan (“PRSP”) filing with the Public Utilities Commission (“Commission”). The PRSP is a successor plan that continues the method of regulation through which Verizon’s tariffs and revenues were established in the Price Regulation Plan (“PRP”).¹ The PRSP provides Verizon with pricing flexibility pursuant to several formulas.² There are consumer protections included for each service group level, through the implementation of individual Price Regulations indices and rate element caps.

As required by the pricing formulas, Verizon’s Second PRSP filing results in a net annual revenue reduction of \$2,942,838 to Verizon or 1.21 percent. In Service Group 1, Verizon proposed a reduction of the local business usage per message rate from \$0.027 to \$0.014, resulting in a reduction in revenues of \$3,070,000. In Service Group 2, Verizon proposed increases to the rates for Directory Listings and Busy Line Verification Services that would increase revenues by \$208,622. Verizon

¹ The PRP was adopted in Order No. 15020 (issued 6/25/96). The PRSP was first adopted in Order No. 16390 (issued 9/14/00).

² V-RI overall average prices are allowed to increase by inflation (measured by GDP-PI) minus the productivity factor of 4.0% and plus or minus exogenous costs, which are capped at \$2.5 million per year, adjusted by the service quality adjustment factor. The

proposed no increases or decreases to Service Group 3 rates. In Service Group 4, Verizon proposed an increase of approximately 5 percent in Analog Private Line Services rates, and an increase in Business Link Credits (due to the impact of the business local measured per message rate reduction), while proposing a revenue decrease in the Customer Specific Pricing Contract. The overall result is a net reduction of \$81,500 in revenues for Service Group 4.³ In addition, under the Quality of Service Plan, the points required to achieve a passing score for purposes of determining the Service Quality Adjustment Factor were raised from 25 to 28 (out of a possible 42 points). No exogenous costs were included in the filing.

On December 4, 2001, the Division recommended approval of the Second PRSP effective January 15, 2002. The Division stated that in 2001 Verizon for the first time experienced a reduction in regulated revenues. The Division also noted that in Service Group 1, Residential and Business Basic Exchange Service, and in Service Group 4, miscellaneous tariffed services deemed competitive, the revenues have trended downward. In addition, revenues for Service Group 2, optional telecommunication services, have been steady, while revenues for Service

overall average prices for tariffed services, as reflected in the Actual Price Index ("API"), must be equal to or less than the Price Regulation Index ("PRI").

³ Division's Memorandum dated 12/4/01, pp. 2-3.

Group 3, interconnection, which began strongly, have recently leveled off and had a small decrease.⁴

The Division represented that it had discussions with Verizon regarding its continuing to fund, through 2002, data network access for public and non-profit K-12 schools and public libraries, and to absorb the cost of the state lifeline credit, respectively, \$2 million and \$2.5 million. The Division also indicated that it has begun preliminary discussions with Verizon regarding the appropriate regulatory model, service quality, and rates in the post-PRSP era.⁵

On December 7, 2001, Verizon confirmed that it will continue to absorb the cost of the state lifeline credit for low-income customers up to \$2.5 million and to fund data network access for public and non-profit K-12 schools and public libraries not to exceed \$2 million for calendar year 2002.⁶

At an open meeting on December 13, 2001, the Commission considered the Second PRSP filing and the Division's recommendation and voted to approve the filing. The Commission also ordered Verizon to file with the Commission no later than May 1, 2002, its proposal for rates, the appropriate regulatory model and service quality for the post-PRSP period.

Accordingly, it is

⁴ *Id.*, pp. 3-4.

⁵ *Id.*, p. 4.

⁶ Verizon's letter dated 12/7/01.

(16943) ORDERED:

1. The Second Price Regulation Successor Plan filing by Verizon Rhode Island is hereby approved for effect January 15, 2002.
2. Verizon Rhode Island shall no later than May 1, 2002, file its proposal for rates, the appropriate regulatory model and service quality to go into effect January 1, 2003.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANURY 15, 2002,
PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 13,
2001. WRITTEN ORDER ISSUED MARCH 12, 2002.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Kate F. Racine, Commissioner

Brenda K. Gaynor, Commissioner